

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 /093 W

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FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC PRIORITY 0249

INFO AMEMBASSY MOSCOW

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FOR EUR/NE - ACHILLES AND CANNEY

E.O. 11652: N/A

TAGS: PFOR, ETRD, FI

SUBJECT: KEKKONEN STATE VISIT: FINNISH COMMERCIAL POLICY

REF: ACHILLES/MARCOTT/IRONS TELECON 7/13/76

1. SUMMARY: MFA (MULLER) STATES THAT "BASES OF FINNISH COMMERCIAL POLICY" IS SUBJECT PRESIDENT KEKKONEN WILL RAISE IN EXPLORATORY MANNER WITH NO EXPECTATION OF DISCUSSION, NOR ANY REQUEST FOR US ACTION. FOUR "BASES" ARE, IN ORDER OF PRIORITY: WESTERN (INCLUDES US, BUT SPECIFICALLY EC AND EFTA); EASTERN, PARTICULARLY USSR; NORDIC (AS SPECIAL SUB-GROUP OF WESTERN) AND OTHER (PARTICULARLY OPEC MEMBERS). UNDER HEADING FINLAND-US TRADE RELATIONS, KEKKONEN MAY "DRAW PRESIDENT FORD'S ATTENTION TO" GROWING IMBALANCE IN FINLAND-US TRADE, AND TO DESIRABILITY THAT TRADE BE FIRST BALANCED THEN EXPANDED IN MUTUAL INTEREST. IN THIS CONTEXT MOST LIKELY SUBJECT TO ARISE WILL BE FINLAND'S HOPES FOR SPECIAL STEEL EXPORTS TO US. END SUMMARY.

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2. MULLER STATES KEKKONEN INTENDS TO INFORM PRESIDENT FORD

THAT FINLAND CONSIDERS ITS TRADE LINKS WITH WEST (I.E. OECD MEMBERS) AS THE FOUNDATION OF FINNISH COMMERCIAL POLICY. TRADE WITH THIS GROUP IS OVER 65 PERCENT OF FINLAND'S TOTAL TRADE. KEKKONEN WILL STRESS THAT FINLAND SEEKS TO PRESERVE ITS PLACE IN THOSE MARKETS AND TO CONTINUE TO RELY ON THOSE COUNTRIES FOR ITS MOST IMPORTANT PRODUCTS, PARTICULARLY PRODUCER GOODS. KEKKONEN WILL STRESS THAT THIS IS THE IMPULSE WHICH LED TO THE ASSOCIATION AGREEMENT WITH THE EC.

3. KEKKONEN WILL STRESS THAT IMPORTANCE OF FINNISH TRADE WITH THE USSR AND ITS TRADE GROUP, COMECON. HE WILL POINT OUT THAT WHILE SOME CRITICIZE ITS ECONOMIC BENEFIT TO FINLAND, THE TRADE LINK WITH THE USSR ENABLES FINLAND TO GET RAW MATERIALS AND FUELS IN A BARTER AGREEMENT, WHICH MINIMIZES THE TRADING RISK. HE WILL POINT OUT THE IMPORTANCE OF THIS IN 1974-75 FOR FINLAND. HE WILL ALSO STRESS THE PROBLEM FINLAND HAS IN THIS MARKET, BECAUSE OTHER COUNTRIES ARE INCREASINGLY COMPETITIVE IN THE SOVIET MARKET, SO FINLAND HAS TO MAKE GREATER EFFORTS TO KEEP ITS MARKET POSITION.

4. KEKKONEN WILL ADDRESS THE SUBJECT OF SPECIAL NORDIC LINKS, WITH PARTICULAR REFERENCE TO JOINT PROJECTS, ESPECIALLY THE NORDIC INVESTMENT BANK, AS WELL AS THE FREE FLOW OF PRIVATE INVESTMENT AND LABOR AMONG THE NORDICS.

5. FINALLY KEKKONEN WILL MENTION HOW FINLAND IS SEEKING TO EXPAND ITS TRADE WITH OTHER COUNTRIES NOT TRADITIONAL TRADE PARTNERS, SUCH AS LDC'S AND OPEC MEMBERS.

6. MULLER STATED KEKKONEN WILL WISH TO FOCUS ON BROADER, MORE POLITICAL ISSUES BUT THAT OTHERS, SPECIFICALLY MFA ECONOMIC/ COMMERCIAL DEPARTMENT CHIEF PAAVO RANTANEN WILL WISH TO ADDRESS US-FINNISH TRADE RELATIONS IN DETAIL. KEKKONEN MAY WANT THE TWO PRESIDENTS TO TOUCH ON THE US-FINNISH TRADE IMBALANCE AS AN OBSTACLE TO EXPANSION OF TRADE RELATIONS AND AS A BURDEN TO FINLAND. IN JAN-MAY 1976, DEFICIT WAS \$90 MILLION. THE MAJOR SUBJECT WHICH COULD ARISE IN THIS CONTEXT CONCERNS FINNISH HOPES TO BEGIN EXPORTING SPECIAL STEEL TO THE US IN LATE 1976 OR 1977. THE FINNS ARE CONCERNED ABOUT THE OPERATION OF THE QUOTA SYSTEM, AND NOTE THAT THE STEEL CONTAINS PIG IRON IM-LIMITED OFFICIAL USE

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PORTED FROM THE US. (REVIEW HELSINKI 1039 FOR BACKGROUND). THIS SUBJECT WAS DISCUSSED WITH AMBASSADOR DENT IN MAY 1976.

7. COMMENT: THE SUBJECT OF FINNISH-SOVIET AND/OR CEMA TRADE HAS GENERATED MUCH DISCUSSION. THE TRADITIONAL SOVIET SHARE IN THE FINNISH MARKET, WHICH IN PRACTICE IS OVER NINETY PERCENT OF THE CEMA SHARE, EXPANDED RAPIDLY IN 1973-75, REFLECTING THE SUDDEN TREBLING OF FUEL PRICES, AND LATER THE WESTERN

RECESSION. THE USSR NOW ALTERNATES WITH SWEDEN AS FINLAND'S LARGEST SUPPLIER, WITH SOME SIXTEEN TO EIGHTEEN PERCENT MARKET SHARE. HOWEVER, THE CLEARING ACCOUNT BALANCE NOW FAVORS FINLAND (WHICH IS IRONICALLY THE ONE SURPLUS FINLAND DOESN'T NEED, SINCE IN EFFECT IT MEANS FINLAND IS "FINANCING" THE TRADE) AND DESPITE DECLARED WILLINGNESS OF THE SOVIETS (IN CONNECTION WITH PRESIDENT KEKKONEN'S RECENT VISIT) TO EXPAND THEIR SALES OF CRUDE OIL TO FINLAND, THE FINNS PERCEIVE THE RETURN OF THE TRADITIONAL PROBLEM OF FINDING THINGS TO BUY FROM THE USSR. THE OTHER CEMA COUNTRIES ARE UNIMPORTANT IN FINNISH TRADE, EXCEPT FOR POLAND WITH WHICH TRADE IS CONDUCTED ON A HARD CURRENCY BASIS, AND WITH WHICH FINLAND HAS A SUBSTANTIAL DEFICIT. IT IS UNLIKELY, WITH PRESENT CONDITIONS, THAT FINNISH-CEMA OR FINNISH-SOVIET TRADE WILL SHOW ANY SIGNIFICANT INCREASE IN THE ABSENCE OF EXTERNAL EVENTS AS OCCURRED IN 1973-74.

8. THE FINNS ARE SENSITIVE TO THE SUBJECT OF THE BENEFITS OF THEIR RECIPROCAL TRADE AGREEMENTS AND BILATERAL CLEARING ACCOUNTS WITH CEMA COUNTRIES, AND TO CHARGES THAT THEY ARE UNDERCUTTING THEIR WESTERN TRADE PARTNERS. THEY HAVE BEEN ATTENTIVE TO THE SECRETARY'S RECENT COMMENTS ON THE SUBJECT OF EAST-WEST TRADE (SPECIFICALLY THE OECD SPEECH). THEY REQUESTED EMBASSY ALERT THEM IF THIS SUBJECT WILL BE RAISED DIRECTLY.  
END COMMENT.  
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